

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

Central Illinois Public Service Company :	
(AmerenCIPS) and Union Electric :	
Company (AmerenUE) :	02-0798
:	
Application for entry of protective order :	
to protect confidentiality of materials :	
submitted in support of revised gas :	
service tariffs. :	
:	
Central Illinois Public Service Company :	03-0008
:	
Proposed general increase in natural :	
gas rates. :	
:	
Union Electric Company :	03-0009
:	
Proposed general increase in natural :	(Consolidated)
gas rates. :	On Rehearing

**REPLY BRIEF ON REHEARING OF THE**  
**STAFF OF THE ILLINOIS COMMERCE COMMISSION**

**LINDA M. BUELL**  
**Office of General Counsel**  
**Illinois Commerce Commission**  
**527 East Capitol Avenue**  
**Springfield, IL 62701**  
**Phone: (217) 557-1142**  
**Fax: (217) 524-8928**  
**[lbuell@icc.state.il.us](mailto:lbuell@icc.state.il.us)**

**March 19, 2004**

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Pursuant to 83 Ill. Adm. Code 200.800, Staff of the Illinois Commerce Commission (“Staff” and “Commission”), by and through its attorney, hereby files its Reply Brief on Rehearing in the above-captioned proceeding.

On March 15, 2004, Initial Briefs on Rehearing were filed by Union Electric Company d/b/a AmerenUE (“AmerenUE”, “UE” or “Company”), the Attorney General, on behalf of the People of the State of Illinois (“AG”), and Staff. Staff herein replies to the Initial Briefs on Rehearing filed by AmerenUE and the AG.

**I. THE ISSUE TO BE ADDRESSED IN THIS PROCEEDING IS VERY NARROW**

Ameren claims that the issue to be addressed in this rehearing proceeding is extremely narrow. (AmerenUE Initial Brief on Rehearing, p. 4.) Staff agrees. The December 9, 2004 Notice of Commission Action makes it clear that the purpose of the instant rehearing is the determination of the pro forma adjustment for post-test year capital additions that should be included in rate base and the resulting adjustments to accumulated depreciation and depreciation expense. However, the Company's reference to ALJ Albers' explanation of the scope, "the use of actual numbers showing *what transpired* in the twelve months following the filing of the case", lends credence to Staff's adjustments—not the Company's. (*Id.*, pp. 4-5, emphasis added.) ALJ Albers did not state that only the additions to plant in service should be considered but that "what transpired in the twelve months following the case" should be used in the development of the appropriate pro forma adjustment. (Tr., pp. 19-20.)

While the Company may be surprised that the cumulative effect of Staff's adjustments to post-test year capital additions is a lower revenue requirement than approved in the Commission's October 22, 2003 Final Order ("Order") (AmerenUE Initial Brief on Rehearing, p. 6), it must be recognized that an overall rate increase is still being recommended by Staff (ICC Staff Exhibit 19.0, Schedule 19.1 UE Revised). In considering all that transpired related to the Alton Gas Main Replacement Project, including information that was not included in the record at the time it was originally marked "Heard and Taken", Staff is recommending post-test year capital additions of \$722,000, less accumulated depreciation of \$17,000, for net distribution plant additions of \$705,000. (*Id.*, Schedule 19.4 UE Revised.) This compares to the net increase in

plant of \$785,000, which was approved in the Order. (Order, p. 10; AmerenUE Initial Brief on Rehearing, p. 3.)

Staff, in urging the Commission to conclude that all impacts of post-test year capital additions be reflected in the recalculated post-test year capital additions for inclusion in rate base, is consistent with the explanation of the scope of this proceeding provided by ALJ Albers. (Staff Initial Brief on Rehearing, p. 4.) AmerenUE is not.

## **II. THE COMPANY MISREPRESENTS ITS ADJUSTMENT TO ACCUMULATED DEPRECIATION**

In its Initial Brief on Rehearing, the Company states, “Mr. Weiss then deducted from this amount [actual post-test year plant additions] the increase in the Company’s total accumulated depreciation...” (AmerenUE Initial Brief on Rehearing, p. 5.) The Company made no such calculation. The Company, in fact, adjusted Accumulated Depreciation to its actual book balance as of November 30, 2003. (AmerenUE Exhibit No. 36.1 Revised).

83 Ill. Adm. Code 285.150(e), effective prior to August 1, 2003, provides only that pro forma adjustments *reasonably certain* to occur through November 27, 2003, could have been made to the test year in this proceeding. Section 285.150(e) does not include any language indicating that items can be restated to actual balances occurring after the expiration of the eleven-month process for the determination of the revenue requirement.

## **III. THE EXCLUSION OF ACCOUNTS OTHER THAN 376 AND 380 IS APPROPRIATE**

Staff’s exclusion of Accounts 324, 328 and 329 is entirely appropriate since those so-called “overhead” accounts are not appropriately cleared to Gas Production Plant

Accounts per 83 Ill. Adm. Code 505, Uniform System of Accounts for Gas Utilities (“USOA”). (Staff Initial Brief on Rehearing, pp. 5-6.) Since Accounts 328 and 329 are Gas Production Plant Accounts, not Gas Distribution Plant Accounts, and Account 324 is not a valid USOA Account, amounts charged to those accounts are appropriately excluded from the pro forma adjustment for post-test year capital additions related to the Alton Gas Main Replacement Project. (*Id.*, p. 6.) The fact that charges have been incurred (AmerenUE Initial Brief on Rehearing, p. 7) does not in and of itself guarantee their inclusion in a pro forma adjustment. While Staff agrees that the Company should not be penalized for following the rules (*Id.*), the Company clearly is not following the USOA in this situation.

#### **IV. THE EXCLUSION OF RECLASSIFICATION ENTRIES IS APPROPRIATE**

Staff appropriately excludes unsupported reclassification entries in reconsidering the appropriate pro forma adjustment for post-test year capital additions. The Company attempts to explain its reclassifications related to a 2003 Work Order as a routine review of any construction project it undertakes. (AmerenUE Initial Brief on Rehearing, p. 8.) When asked if a similar review was conducted on the 2002 Work Order, Mr. Weiss stated that it was conducted in the Fall of 2002 and that he was certain that similar reclassifications were done at that time. (Tr., p. 66.) However, this statement is contradicted by documents provided to Staff. Neither the work papers provided by the Company in its supplemental response to Staff data request UE TEE-001 nor the updated queries provided in response to Staff data request UE TEE-104 show any reclassifications or transfers for the 2002 Work Order. Obviously, the review of work orders and the resulting reclassifications are not as routine as the Company would like

one to believe, since the only reclassifications that took place during the period July 1, 2002 through November 30, 2003 were those disallowed by Staff and identified as resulting from the 2003 Work Order review. (ICC Staff Exhibit 19.0; Staff Initial Brief on Rehearing, pp. 7-8.) The documentation provided to Staff did not support the reclassification entries made to Account 380 nor did the Company provide an explanation why the support provided was different from the explanation provided by Mr. Weiss during cross-examination. (Staff Initial Brief on Rehearing, p. 7.)

What the Company identifies as “Ms. Ebrey’s third proposed adjustment” (AmerenUE Initial Brief on Rehearing, p. 9), is in fact included in Staff’s single adjustment disallowing Property and Plant Transfers (Staff Exhibit 19.0, Schedule 19.4 UE Revised). A review of the items AmerenUE “corrected” (ICC Staff Cross Exhibit Weiss-2 Rehearing), only illustrates the Company’s haphazard attempt to increase the balance of the capital accounts at issue in this rehearing. (Staff Initial Brief on Rehearing, p. 8.)

Staff’s exclusion of the reclassification entries is appropriate and should be approved by the Commission.

**V. RETIREMENTS HAVE ROUTINELY BEEN CONSIDERED IN CONJUNCTION WITH POST-TEST YEAR PLANT ADDITIONS**

The Company incorrectly states that the Commission historically has not considered retirements in connection with its calculation of pro forma adjustments. (AmerenUE Initial Brief on Rehearing, p. 5.) In fact, even the Central Illinois Light Company (“CILCO”) proceeding cited by the Company as an example of the Commission’s consistent practice in applying Section 285.150(e) (Id., p. 2), included an

adjustment reflecting the retirements associated with the post-test year capital additions (Staff Initial Brief on Rehearing, p. 11). The Company is seriously mistaken in its understanding of the Commission's historic policy regarding retirements related to post-test year plant additions. Ms. Ebrey, the Staff witness in the cited CILCO docket (Docket Nos. 01-0465/01-0530/01-0637 (Cons.)), has consistently reviewed retirements related to pro forma adjustments for post-test year capital additions. In proceedings where retirements are appropriately reflected, no mention of the retirements is necessary in the Final Order. Silence on the issue of these types of retirements is an indication that they are already appropriately considered (e.g., Order, Consumers Gas Company, Docket No. 00-0618).

Staff has identified and discussed the following flaws in the Company's position:

1. The Company is earning a return on investment it no longer has;
2. Net plant is overstated to the extent that the retirements have been recorded on the books; and
3. Depreciation expense is overstated.

(Staff Initial Brief on Rehearing, pp. 9-10.)

The AG also provided convincing arguments regarding the improper treatment of the retirements related to the Alton Gas Main Replacement Project by Ameren. (AG Exhibit 1.2, p. 3; Staff Initial Brief on Rehearing, pp. 10-11.)

For the foregoing reasons, the Commission should accept Staff's proposed adjustment reflecting the retirements associated with the post-test year capital additions.

## **VI. THE AG'S POSITION SHOULD BE REJECTED**

The AG's position in this case simply updates its adjustment for post-test year capital additions to the actual balances at November 30, 2003. (AG Initial Brief on Rehearing, p. 3.) While this treatment is consistent with Staff's position regarding retirements (Staff Initial Brief on Rehearing, pp. 10-11), nothing else about the AG's position is appropriate. As Staff has already pointed out, Section 285.150(e) does not include any language indicating that items can be restated to actual balances occurring after the expiration of the eleven-month process for the determination of the revenue requirement. In addition, the AG's position includes all changes to Distribution Plant, which Staff and the Company both agree is beyond the scope of the rehearing. (Id., p. 15.)

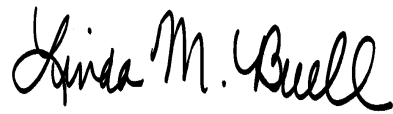
Therefore, Staff recommends that the AG's position be rejected by the Commission.

## **VII. CONCLUSION**

For the reasons set forth in the above discussion and in Staff's Initial Brief on Rehearing, Staff respectfully requests that the Commission approve a Final Order on Rehearing consistent with Staff's position.



Respectfully submitted,

A handwritten signature in black ink that reads "Linda M. Buell". The signature is written in a cursive, flowing style.

LINDA M. BUELL

Counsel for the Staff of the Illinois  
Commerce Commission

LINDA M. BUELL  
Office of General Counsel  
Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, IL 62701  
Phone: (217) 557-1142  
Fax: (217) 524-8928  
[lbuell@icc.state.il.us](mailto:lbuell@icc.state.il.us)

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